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**EXPERT'S CORNER: Accounting for Success** 06-21-2005

Out of the Cubicle and Into Business: 114 Questions to Answer Before You Make the Move from a Corporation or University Job into Your Own Business

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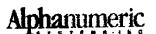
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The Triangle Business Journal (2003 and precedin



By Lea Strickland, CMA CFM CBM President - F.O.C.U.S. Resources

Guest Columnist Special Feature: Many new and small businesses do not invest time or money in cstablishing a comprehensive accounting process. (In this instance, accounting encompasses traditional finance and treasury roles.) For many of these businesses, accounting activity is a necessary evil driven only

by the need to collect customer payments, pay taxes, do payroll, and pay bills.

Accounting for your business can be so much more if done well. Beginning with the setup of the accounts to be used, all the way to developing insightful reporting which enables you to understand the aspects of your business which are working and the ones which need to be changed or eliminated.

Accounting for your business is a requirement, but it should also be viewed as a tool in your strategic business enables you to make sound decisions, evaluate actions taken, and facilitate continued business growth.

There are ten key areas of your accounting process that, if done well, can provide fuel for organizational grow accounts stratification · Product/business line reporting · Customer profitability · Accounts Receivable Manage Reporting (Aging of accounts) · Accounts Payable Management and Reporting (Aging of accounts) · Sources : Cash · Inventory Reporting · Project/Job Costing Profitability · Lease/buy analysis · Credit policy management detail an organization captures and can see at a summary level determines the degree of flexibility in analyzin querying results. For instance, travel expenses could be captured in a single account; travel. This account cou airfare, car rental, mileage reimbursements, meals, lodging, and incidental expenses incurred. If you need to u the detail, it will require quite a bit of effort to extract how much was spent on each element of travel. The trans descriptions and detail needed to stratify the expenses may or may not be in the accounting system.

If, however, the chart of accounts was established with a Travel category (main account) and sub accounts (ai lodging, etc.), then the organization has the option of printing a summary report (Travel) or a detailed report (a lodging, etc.). Although there is some difference in the effort required to enter transactions at the detail level o

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accounts versus lumping everything into the single travel account at the time of entry, there is a fremendous d the effort required to answer analytical and management queries at a later date. It requires far less effort to dri already available detailed accounts to understand the spending patterns and issues that it does to create thos from one main category before the analysis can begin.

The more visible an organization's activity, the more likely the organization is to see patterns of spending, con and areas that require investment. The ability to capture the financial results of the activities the organization f receives funds from is one aspect that is often neglected or overlooked. Accounting isn't simply math. Account data capture and dollarization of what is and isn't happening. The absence of a number or a number that is low anticipated can signal just as loudly that something has gone wrong as a number that is too large. You just have understand how to interpret the financial reports. Financial accounting provides a historical look at your organi

By analyzing the collection and payment cycles (accounts receivable and accounts payable, respectively) and levels and length of conversion from acquisition to sale, a business understands how long it takes to "make mo cash conversion cycle indicates how cash will flow into and out of the business, enabling the business to time and manage activities to match cash demands with cash supply.

Interpreting the financial reports, analyzing results, applying that information to the impact on future activity, as results is "finance." For most organizations, accounting activities are the present. Finance activities (strategic) budgets, and financial forecasts) with the emphasis on the future are afterthoughts, intellectual exercises, or iç entirely. To move your organization to the next level of performance, it takes both sound historical information understand past and current performance and structures (accounting for success) and forecasted changes an projections that quantify the evolving organization (enabling success).

Where does your organization stand on the availability and utilization of accurate, timely accounting informatic know how your dollars are spent and the returns they generate? Do you know where your next dollar needs to to generate the best return? Which customers are the most profitable? What is the impact of adding a new pro What return do you need on the marketing dollars you invest?

All these questions can be answered from the data your accounting system can provide, if it is designed as a t MANAGE your operations and not simply record revenues and write checks. If your accounting system serves for generating your tax return, you are losing out on a competitive advantage - knowing your business from the perspective enables you to be more effective in the opportunities you pursue and the manner in which you use resources.

Your accounting system can be designed to generate the necessary financial reporting and tax filings while prwith managerial information to run the day-to-day and for the long term. Most shrink-wrapped accounting pack bookkeeping systems that handle the recordkeeping, financial statements, and tax reporting needs. They do n templates and structures unique to your organizations needs. They can, however, be redesigned to meet your information needs.

An analysis of your operations and activities, including information critical to managerial decision making, is th point for maximizing your accounting system. Taking your organization to the next level means more than accounting success, it means that you have the necessary data available in a format which enables you to impact future p

If you are ready to take your accounting system to the next level, then here are some suggested steps:

1. Ensure that your current accounting activity is consistent and complete

a. If you are using cash based accounting, then you will still want to have the ability to capture the c you have made (purchases, contract payments, utilities, etc.), but have-nots yet written the check

b. If you are using accrual-based accounting, you will want to recognize revenue at the time of invo only when the check comes in or cash is received. Also, If you receive lump sum payments, for ir maintenance agreements that cover multiple years, you will want to follow appropriate revenue n and accounting practices to reflect that it is "uneamed" and your organization has an obligation ( perform services or that revenue is associated with some time increment, so that revenue is mati expenses.

2. Ascertain whether your accounting records match tax fillings or other governmental financial reporting (§

Have the ability to utilize fully the capability of the software you are using - off the shelf and into service practice with little or no training on its use.

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7767 of 7